

17.01.04 Distribution of Royalties, License Fees and Sale Proceeds from Licensing

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Next Scheduled Review: May 1, 2029



Regulation Summary

This regulation defines the proper distribution of the income associated with licensing activities to intellectual property (IP) creators and The Texas A&M University System (system) members.

Definitions

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Regulation

1. Royalties, license fees and sale proceeds received from the licensing or sale of intellectual property owned by the system will be received and distributed by Texas A&M Technology Commercialization (TTC) in accordance with the percentages specified in this regulation. TTC will generate royalty reports for royalties, license fees and sale proceeds received, and distribute such royalty reports to the chief administrators of the member commercialization offices and member chief executive officers (CEO). The chancellor, subject to approval by the system Board of Regents (board), may adjust the allocation of royalties, license fees and sale proceeds set forth herein.
2. The commercial development fund (CDF) is established to support intellectual property and commercialization activities and will be managed by the chancellor or designee. The CDF is funded through a portion of the revenues received from the commercialization of system intellectual property as provided by Sections 2.1 through 2.4.
 - 2.1 Distribution of any Royalties, License Fees and Sale Proceeds will occur no later than 90 days after they were received, subject to having the following:
 - (a) fully executed intellectual property disclosure (See System Regulation *17.01.02, Evaluation and Protection of Intellectual Property*);
 - (b) fully executed multiple IP creators sharing agreement, if applicable (See System Regulation *17.01.02*);
 - (c) fully executed member sharing agreement, if applicable (See System Regulation *17.01.02*);

- (d) fully executed multiple IP relative weight agreement for IP creators and fully executed multiple IP relative weight agreement for members, if applicable (See System Regulation 17.01.03, *Commercial Development of Intellectual Property*);
- (e) for license agreements covering multiple intellectual properties that contain a reporting requirement, a sufficient report from the licensee enabling the member and TTC to determine amounts due to the system for each licensed intellectual property for the reporting period where monies were received; and
- (f) all necessary IP creator tax information on file with TTC and/or member(s) to enable payment.

2.2 Distribution of Royalties, License Fees and Sale Proceeds from Licensing or Sale of Patentable Inventions, Plant Varieties and Tangible Research Property (TRP), Licensed or Sold Before June 1, 2006

Step 1 – Deduct from gross royalties, license fees or sale proceeds the cost of legal protection (when the cost of legal protection has not already been paid in full by another source at the time of distribution) and payments to any third parties to arrive at net income.

Step 2 – Distribute 42.5 % of net income to the IP creator(s) as personal income per Section 2.5 – *Distribution of IP Creators Portion of Net Income*.

Step 3 – Distribute 52.5 % of net income to the member(s) supporting the research leading to the technology per Section 2.6 – *Distribution of Members Portion of Net Income*.

Step 4 – Distribute 5 % of net income to the CDF.

2.3 Distribution of Royalties, License Fees and Sale Proceeds from Licensing or Sale of Patentable Inventions, Plant Varieties and TRP, Licensed or Sold On or After June 1, 2006

Step 1 – Deduct from gross royalties, license fees or sale proceeds the cost of legal protection (when the cost of legal protection has not already been paid in full by another source at the time of distribution) and payments to any third parties to arrive at net income.

Step 2 – Distribute 37.5 % of net income to the IP creator(s) as personal income per Section 2.5 - *Distribution of IP Creators Portion of Net Income*.

Step 3 – Distribute 57.5 % of net income to the member(s) supporting the research leading to the technology per Section 2.6 – *Distribution of Members Portion of Net Income*.

Step 4 – Distribute 5 % of net income to the CDF.

2.4 Distribution of Royalties, License Fees and Sale Proceeds from Copyrightable Works Licensed or Sold On or After June 1, 2006

Step 1 – Deduct from gross royalties, license fees or sale proceeds the cost of legal protection (when the cost of legal protection has not already been paid in full by another source at the time of distribution) and payments to any third parties to arrive at net income.

Step 2 – Distribute 40 % of net income to the IP creator(s) as personal income per Section 2.5 - *Distribution of IP Creators Portion of Net Income*.

Step 3 – Distribute 55 % of net income to the member(s) supporting the activity leading to the work of authorship per Section 2.6 – *Distribution of Members Portion of Net Income*.

Step 4 – Distribute 5 % of net income to the CDF.

2.5 Distribution of IP Creators Portion of Net Income

The distribution of net income of the IP creator(s) portion is as follows:

2.5.1 For a single intellectual property family included in a license agreement:

- (a) For a single IP creator, a distribution formula will be based upon the IP creator receiving all of the IP creator's portion of net licensing income as set forth in Sections 2.2 through 2.4.
- (b) For multiple IP creators for an intellectual property family, a distribution formula will be based on an IP creator's relative contribution to the intellectual property family as set forth in a multiple IP creators sharing agreement. (See System Regulation 17.01.02.) Per System Regulation 17.01.02, the distribution formula will not change unless an IP creator is dropped entirely as an inventor from the patent claims for intellectual property that includes a patent.

2.5.2 For multiple intellectual property families included in a license agreement:

- (a) The procedure for determining the formula for distribution of the IP creators' portion of net licensing income to a pool of IP creators will be based on a multiple IP relative weight agreement for IP creators. (See System Regulation 17.01.03.) As set forth in the multiple IP relative weight agreement for IP creators, the IP creators assign a relative weight (importance/value) for each intellectual property family as a percentage of the total of all intellectual property families included in the license agreement (Relative IP Percentage).
- (b) For each of the intellectual property families included in a license agreement involving multiple intellectual property families, there will be a multiple IP creators sharing agreement. (See System Regulation 17.01.02.) The multiple IP creators sharing agreement sets forth all of the IP creators' percentage of contribution to that particular intellectual property family. This percentage of contribution for each IP creator will be used to determine an IP creator's

percentage of the Relative IP Percentage for a particular intellectual property family (Individual IP Percentage).

- (c) For each of the intellectual property families included in the license, Individual IP Percentages are determined for each IP creator and used to formulate a total percentage of the IP creators' portion of net licensing income a particular IP creator will receive.
- (d) If an intellectual property family is dropped from the license agreement by the licensee or if the intellectual property includes a patent and the patent expires or the patent is invalidated by a court of competent jurisdiction and there is no other patent(s) in the patent family, the relative weight previously assigned to that intellectual property family will be split equally among the remaining intellectual property families. Any IP creators for the removed intellectual property family will no longer receive any distribution for that intellectual property family.

2.6 Distribution of Members Portion of Net Income

The distribution of net income of the member(s) portion is as follows:

2.6.1 For a single intellectual property family included in a license agreement:

- (a) For a single member, a distribution formula will be based upon the member receiving all of the member's portion of net licensing income as set forth in Sections 2.2 through 2.4.
- (b) For multiple members for an intellectual property family, a distribution formula will be based on a member sharing agreement for that particular intellectual property. (See System Regulation *17.01.02.*)

2.6.2 For multiple intellectual property families included in a license agreement:

- (a) The procedure for determining the formula for distribution of the members' portion of net licensing income to a pool of members will be based on a multiple IP relative weight agreement for members. (See System Regulation *17.01.03.*) As set forth within the multiple IP relative weight agreement for members, the members assign a relative weight (importance/value) for each intellectual property family as a percentage of the total of all intellectual property families included in the license agreement (Member Relative IP Percentage). This Member Relative IP Percentage only applies to the distribution of the members' portion of net income.
- (b) For each of the intellectual property families included in a license agreement involving multiple intellectual property families, there will be a member sharing agreement. (See System Regulation *17.01.02.*) The member sharing agreement sets forth the percentage of share each member will receive for that particular intellectual property family. This percentage of share for each member will be used to determine a member's percentage of the Member Relative IP Percentage for a particular intellectual property family (Member Individual IP Percentage).

(c) For each of the intellectual property families included in the license, Member Individual IP Percentages are determined for each member and used to formulate a total percentage of the members' portion of net licensing income a particular member will receive.

2.7 Members will be entitled to all income from the distribution or commercialization of works for hire and for member-owned trademarks as defined in System Regulation 17.01.01, *Ownership of Intellectual Property and Tangible Research Property*.

2.8 Notwithstanding anything to the contrary, the chancellor or designee may change or cancel any IP creator's percentage of distribution under this regulation if the IP creator files a cause of action against the board, the system, any member(s) or their employees related to the IP creator's intellectual property, or directly or indirectly challenges the validity of the IP creator's intellectual property; or if the system and/or any member(s) sues the IP creator or an entity owned or controlled, directly or indirectly, by the IP creator related to the IP creator's intellectual property.

3. REVENUE FROM ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS

If the system receives revenue from third parties as a result of settlement or litigation related to the enforcement of system rights in intellectual property, such revenue will be first used to reimburse the system and/or member(s) (or the sponsor, institution or licensee, if appropriate) for expenses related to such actions. The IP creator(s) and the member(s) are entitled to the remaining net income according to the distribution formula outlined in this regulation.

4. DISTRIBUTION OF INCOME FROM INTELLECTUAL PROPERTY IN CASE OF DEATH

In the case of death or incapacitation of an IP creator, royalty distributions, including any equity to which the IP creator was entitled, will be made pursuant to the Texas Probate Code and the United States Internal Revenue Code.

Related Statutes, Policies or Requirements

[System Policy System Policy 17.01, Intellectual Property Management and Commercialization](#)

[System Regulation 17.01.01, Ownership of Intellectual Property and Tangible Research Property](#)

[System Regulation 17.01.02, Evaluation and Protection of Intellectual Property](#)

[System Regulation 17.01.03, Commercial Development of Intellectual Property](#)

Member Rule Requirements

A rule is not required to supplement this regulation.

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